



Testimony before the
CT General Assembly Energy & Technology Committee
on
Proposed Bill #6026
by
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Chairwoman Nardello, Chairman Fonfara, Ranking members Witkos and Hoydick and other members of the Energy and Technology Committee thank you for providing time for the public to comment; I am Dan Weekley, VP Government Affairs for Dominion Resources. Today I will be providing comments opposing Proposed Bill-6026.

As I have communicated to this Committee on numerous occasions, Dominion owns and operates the Waterford-based Millstone Power Station, as well as three (3) additional fossil-powered generating stations here in New England. The total generating capacity of all four (4) stations is roughly 4900 mw. In total, Dominion directly owns and operates more than 27,500 mw's in the mid-Atlantic, northeast and mid-Western portions of the United States.

Millstone Background

Specifically here in Connecticut, we purchased the Millstone facility back in 2001 under a state-sanctioned auction process. Dominion agreed to buy the facility and all associated property for approximately \$1.3 billion (\$1,300,000,000). You may recall, due to the complexity of the sale, the process included several state agencies, including the Department of Public Utility Control (DPUC), the Office of Consumer Counsel (OCC) and the Attorney General's (AG's) office.

As we have testified before the legislature on many occasions, Dominion has invested roughly \$600 million (\$600,000,000) on top of the acquisition price for greater efficiencies and reliability at the Millstone facility. These investments are clearly working due to the fact the station is roughly 30% more reliable today than it was under the previous state regulated jurisdiction. This increased output is roughly the equivalent of building an additional 650-megawatt plant in the state. Millstone today is among the most reliable and is without question the most important generating resource in New England.



Proposed Bill # 6026

Now turning to PB-6026, the premise of this bill is to impose significant new energy taxes on CT base load electric generators. Proposal calls for a \$.02 kw/hr tax on all electricity produced (net generation tax) at the state's coal and nuclear facilities.

Simply put, PB-6026 will have the opposite affect of the General Assembly's and Governor Malloy's goal of lowering prices for all consumer classes and without question will be an immediate and long term increase for consumers. Here are the facts why:

- Majority of energy supply in New England is sold via contracts. All costs and/or risks must and will be included in the price prior to execution of the contract.
- Electricity sold in day-ahead market will further reflect tax as well as a multiplier effect of other generating stations/fuel sources.
- If the state were to pass this type of regressive tax, why would any out-of-state generator bid on a CT supply RFP recognizing they could become subject to these types of future tax risks?

Contracting Issue

According to ISO New England, the regional non-profit wholesale power entity, approximately 75% of all the power delivered in New England is via "bilateral contracts." Bilateral contracts are simply "willing seller to willing buyer" contractual arrangements with fixed terms and conditions.

Examples of these types of bilateral contracts are the "Standard Offer" service provided by the state's utilities. CL&P and UI procure power for electricity via state audited bids. In this type of bid, the seller or provider of electricity to the utility must include **all costs** associated with the supply of electricity. Examples of costs include fuel, overhead, labor/benefits, risk, and of course taxes. Any and all taxes are and will be incorporated into the bid price to the provider (including utilities, as well as municipal and competitive providers).

Even though Dominion's Millstone Power Station sells almost 100% of its energy output via longer term bilateral contracts, these are multiple contracts that are constantly being negotiated. If this flawed idea were to move forward, any responsible generator would have to consider including these risks in future supply bids.



Day Ahead Market

Remaining approximate 25% of energy market is sold into the day ahead market. When bidding into the "day ahead" market, again generators decide minimum price they would be willing to accept in order to manufacture electricity for that day. Because generators indicate prices they would be willing to accept, any generation class that has new taxes/fees, shifts the entire supply cost curve up with a multiplier effect via the other generation sources which results in a significant immediate negative impact for the ratepayers.

Out of State Generation Concerns

The utilities Standard Offer RFP as well as the state's Commercial and Industrial (C&I) customers correctly do not distinguish between CT or other New England based generation. They procure the most reasonably priced reliable power. Keeping this in perspective, quite simply why would an in-state or an out-of-state supplier risk exposure to this type of new tax uncertainty? Other New England utilities and C&I customers are also seeking reasonably priced power. Additional regulatory uncertainty including flawed tax policies will encourage New England generators, particularly the larger baseload units to sell elsewhere in the market. This unfortunate situation will leave only the higher-cost generation units to bid for the Connecticut load. Again, the end result for CT consumers will be higher costs with no intrinsic benefits.

Net Generation Tax

As is similar with PB-5699, no state in the US has this type of tax (WV and WI have nameplate tax that is in lieu of property taxes). Committee members should be aware the Federal Government and multiple states across the country (MD, NY, NH, VT as examples) have looked at generator or other types of specific energy taxes as a way to reduce rates and no state has embraced this idea because they have all come to the same conclusion: *No matter how well-intentioned, energy taxes immediately and directly hurt the end consumer!*

It should also be noted the State of New Hampshire which is also aggressively trying to reduce the cost of electricity considered a "net generation" tax in 2010 at a rate of \$.0005 (40 times lower than PB-6026!). Once again this bill did not become law.

Conclusion

In summary, we support the General Assembly's and Governor Malloy's goal of reducing energy prices, but any type of "net generation" tax will have the opposite impact and ultimately increase prices without any benefits. Thank you again to all the members of the General Assembly for the opportunity to provide comments. I look forward to working with all parties in these and other associated issues in the future.